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INDEPENDENT AUDITOR'S REPORT

May 16, 2003

Mayor and City Council, King County, Redmond, Washington

We have audited the accompanying basic financial statements of the City of Redmond, King County, Washington, as of and for the year ended December 31, 2002, as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our financial audit in accordance with governmental auditing standards generally accepted in the United States of America, issued by the Comptroller General of the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Our audit was performed pursuant to the *Revised Code of Washington* 43.09.260, under which a full report on the results of this audit will be issued. This report may include findings and recommendations on compliance matters, internal control procedures, and questionable costs or contingencies that would not be material in relation to the basic financial statements taken as a whole.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the City of Redmond, King County, Washington, as of December 31, 2002, and the changes in financial position and cash flows, where applicable, thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1, during the year ended December 31, 2002, the City has implemented Governmental Accounting Standard's Board Statement 34, *Basic Financial Statements – and Management's Discussion and Analysis for State and Local Governments*, Statement 36, *Recipient Reporting for Certain Shared Nonexchange Revenues*; Statement 37, *Basic Financial Statements – and Management's Discussion and Analysis for State and Local Governments, Omnibus*; and Statement 38, *Certain Financial Statement Note Disclosures*.

In accordance with *Government Auditing Standards* in the United States of America, we will also issue our report on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis information on pages 11 through 24, budgetary comparison information on page 30, and pension trust fund information on page 70, are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

The other data included in this report, designated as the statistical section in the table of contents, has not been audited by us and, accordingly, we express no opinion on such data.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying introductory section, pages 1 through 8; combining and individual nonmajor fund financial statements, pages 73 through 118; and statistical tables pages 119 through 139; are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements taken as a whole. The introductory section and the statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Sincerely,

BRIAN SONNTAG, CGFM
STATE AUDITOR

